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FISCAL IMPACT STATEMENT

LS 6660 **NOTE PREPARED:** Dec 30, 2006
BILL NUMBER: HB 1556 **BILL AMENDED:**

SUBJECT: Termination of Property Taxes.

FIRST AUTHOR: Rep. Burton **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: GENERAL **IMPACT:** State & Local
X DEDICATED
FEDERAL

Summary of Legislation: This bill provides that ad valorem property taxes may not be imposed after 2008. It prohibits a political subdivision from issuing obligations of the corporation payable from ad valorem property taxes after the effective date of this act. The bill allows the General Assembly to provide by law for revenue from any source to pay after 2009 obligations of a political subdivision to which the political subdivision pledged ad valorem property tax revenue.

Effective Date: Upon passage.

Explanation of State Expenditures: The state would not pay Property Tax Replacement Credits or Homestead Credits after CY 2009. The state appropriation for PTRC and Homestead Credits was $2,028.5 M in each of FY 2006 and FY 2007. State savings depends on the amount that would have been appropriated beginning in FY 2010 without this bill.

The Department of Local Government Finance (DLGF) would have substantially reduced costs as the Department's assessment oversight function would no longer be needed. The Indiana Board of Tax Review (IBTR) would cease to function after appeals of assessments through the March 1, 2008, assessment date are adjudicated. The DLGF's budget appropriation was $5.35 M in FY 2007, and the IBTR's appropriation was $1.76 M.

Explanation of State Revenues:

Explanation of Local Expenditures: Under this bill, all local assessing functions would cease after the March 1, 2008, assessment date. Counties and townships would eliminate the cost of the assessment system.

Explanation of Local Revenues: This bill would prohibit property tax assessments after March 1, 2008, and tax collections after 2009. The 2006 gross property tax levy was $7.8 B. The net tax payable by taxpayers was $5.65 B. Assuming a 5% annual growth rate in the total levy, the 2010 levy could be as much as $9 B. Under this proposal, local civil taxing unit and school corporation revenue would be reduced by $9 B.

The bill provides that the General Assembly may provide, by law, for revenue from any source to pay for debt incurred before this bill is effective.

State Agencies Affected: Department of Local Government Finance; Indiana Board of Tax Review; Auditor of State.

Local Agencies Affected: All local civil taxing units and school corporations.

Information Sources: Local Government Database.

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